

Department of Human Services
Management of SFY 09 1.5% ATB

An economic contraction is often first visible in its affect on state revenues. As employment declines, demands on services increase, primarily in unemployment insurance benefits and the traditional safety net or human services of food assistance, Medicaid, and FIP. Although the increase in lowans accessing these services due to the slowdown is only now beginning, it is inevitable that increases will occur in SFY 10. The demand for services is dependent on the depth and length of the recession in Iowa. As a result, the current reductions in SFY 09 are manageable; similar reductions in SFY 10 will undoubtedly be far more challenging.

The strategies used by the Department to manage the recent across the board reduction of 1.5% vary depending on whether the appropriation is operational or programmatic.

Operational appropriations, already reduced by 3% in SFY 08 will be further reduced by the 1.5% by leaving additional vacant positions unfilled, and by reducing support expenditures through implementing efficiencies and delaying major purchases of equipment including technology. The Department intends to manage these reductions in a way that minimizes the impact to lowans in service delivery.

Most programmatic appropriations will be able to continue to fund services to lowans with the reduced appropriation level, primarily due to reprojecting caseloads using the most current data to determine service demand. Adoption Subsidy, already projected to deficit in SFY 09 and faced with the 1.5% reduction will rely on projected unspent funds in child welfare services (a closely related appropriation) to continue to provide monthly subsidies to adoptive parents.

The reductions to the Medical Assistance appropriation, totaling over \$10M are projected to be restored by the upcoming Federal economic stimulus package. All indications are that relief to states in the form of an increase in Federal matching funds for Medicaid expenditures will be sufficient to restore the funding lost due to the ATB. However, should the economic stimulus package not include additional Federal matching funds or if funding is insufficient to cover the ATB, a rate reduction for nearly all Medicaid providers will be necessary beginning March 1. Under a Medicaid State Plan amendment, reimbursable claims would be paid at 96% of the amount submitted, generating a reduction in expenditures of \$28M in Federal and State funds and the required 1.5% reduction in state dollars of \$10.5M.

Approximately \$175M is appropriated to DHS to be allocated to counties to fund mental health and disability services. Individual counties will manage the 1.5 % reduction in funding available for these expenditures.